

VZCZCXRO3376
PP RUEHMA RUEHPA
DE RUEHUJA #2098/01 2981245
ZNR UUUUU ZZH
P 241245Z OCT 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 4259
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 0127
RUEHZK/ECOWAS COLLECTIVE
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 002098

SENSITIVE
SIPDIS

DEPT PASS TO USTR- AGAMA, USTDA - FITTS/MARIN AND EXIM - JRICHTER
DEPT OF ENERGY FOR CAROLYN HAYLOCK AND GEORGE PERSON
USAID AFR/SD FOR MICHAEL CURTIS

E.O. 12598: N/A

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SUBJECT: NIGERIA: USG SUPPORTS HYDROELECTRIC POWER PLANT FEASIBILITY STUDY

REF: A. ABUJA 1082

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

¶1. (U) SUMMARY. In an October 17, 2008 ceremony at the Adamawa State Government House, the Ambassador and Adamawa State Governor Murtala Nyako signed a grant for commencement of a 35 megawatt (MW) hydroelectric power plant feasibility study at the existing Kiri Dam site. The grant was provided by the U. S. Trade and Development Agency (USTDA) in the amount of \$467,000. The Governor thanked the Ambassador and USTDA for the grant. The estimated cost to build the hydro-plant is \$44 million, with U.S. export potential estimated at between \$11-22 million. Financing sources for the proposed hydro project appear feasible. Poverty is a major problem in Adamawa state and a substantial increase in electricity would help develop local industry. In a subsequent briefing on the project with Nigeria's Power Holding Company (PHCN), the Vice Chairman commented that it would be very beneficial to the integrity of the national grid to have reliable and sustainable hydro generation in the northern part of the country. He reported that in 2007 the national grid had experienced 18 total system collapses, with 16 so far in ¶2008. End Summary.

¶2. (U) The Ambassador and Governor Nyako signed the \$467,000.00 grant agreement in the State House Chambers on October 17, 2008. In her remarks, the Ambassador emphasized the importance of energy and power in the development of the economy. Nyako commented that Adamawa was just cited by the World Bank as being the second poorest state in Nigeria, and the state primarily relies on agriculture and power supply from the national power grid. Nyako said that the grant will potentially increase electricity in the state which will lead to industrialization, more jobs, higher wages and a reduction in poverty. He reported that the per capita electricity consumption of Adamawa residents was very low, almost immeasurable.

¶3. (SBU) Adamawa State is located in the remote north-eastern region of Nigeria with an estimated population of 3.7 million. It is a picturesque mountainous area traversed by big river valleys that form its undulating landscape. The main occupation is farming with cash crops of cotton, groundnuts, coffee, tea and food crops of maize, yam, cassava, guinea corn, millet and rice. Infrastructure and electricity are major challenges. EconOff traveled on the main road, which is in disrepair and fully collapsed in many areas. A 50 mile drive from the state capital Yola to the Kiri Dam took an embassy four-wheel drive vehicle nearly two and a half hours one-way.

KIRI DAM CAN BE MORE THAN AN IRRIGATION TOOL

¶4. (U) The Kiri Dam was originally built in 1982 and with the purpose to support the irrigation of farms and the growth of

sugarcane in the area. As an agricultural water storage dam it provided water to the Savannah Sugarcane factory located eight miles downstream of the dam. Experts contend that the dam could be converted easily to a hydro-power plant that will boost much needed power generation to the electricity grid. Since the dam has been in existence for more than a quarter century any reconstruction will not result in the displacement of local people.

15. (U) According to available water flow data, the plant will have a capacity of 35 to 50 MW. The dam itself is an earth-filled dam and the top of it is used as a bridge connecting the two banks of the Gongola River. The overall cost of the project has been estimated by USTDA consultants at \$44 million. The potential for U.S. exports to support construction of the plant is estimated by USTDA analysts at \$11-22 million.

FINANCIAL BACKING LOOKS GOOD

16. (U) According to USTDA's Request for Proposal (RFP) document, the development of the Kiri power plant as an independent power plant (IPP) or public private partnership (PPP) is the preferred outcome of the study. If a U.S. partner steps forward, or if significant U.S. equipment is purchased for the construction, various bilateral and multilateral funding sources may be available to support private investor's funding needs. The African Development Bank, the World Bank, and the European Bank for Reconstruction and Development are important multilateral sources for funding. USTDA has consulted with the U.S. Overseas Private Investment Corporation (OPIC) and the U.S. Export-Import (Ex-Im) Bank and both have agreed to provide assistance.

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BOOST TO ELECTRICITY SUPPLY

17. (U) EconOff met with the Vice Chairman of PHCN Bello Suleiman on October 20, 2008 to discuss the Kiri project. Suleiman noted that Nigeria's transmission and distribution networks are characterized by single circuit radial lines, overloaded transformers, obsolete substation equipment, and inadequate coverage. He noted that Adamawa is almost at the end of the national transmission line, which is rated at 132 kilovolt-ampere (KVA). The line experiences poor voltage as a result of long transmission spans from power plants far to the south of the country. EconOff asked about the proposed construction of a new line with upgraded voltage to 330 KVA and Suleiman responded that Adamawa is part of the budgeted upgrade of the transmission and distribution projects and was happy to hear about the possibility of new electricity generation so far north. He indicated that it would be very beneficial to the integrity of the national grid to have reliable and sustainable generation in that part of the country. Suleiman reported that in 2007 the nation experienced 18 total system collapses, with 16 so far in 2008.

18. (SBU) COMMENT. The Governor, other officials and the local residents expressed deep gratitude to the USG for funding the feasibility study. Several national news outlets reported the ceremony. Poverty is endemic in Adamawa state and if the Governor can marshal the necessary resources to build the dam, there will be a substantial increase in electricity to promote industrial development in the state. END COMMENT.

19. (U) This cable was coordinated with Consulate Lagos.

SANDERS